

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

Administrative Activity

The Liquor Control Board (LCB) establishes policies for the sale of alcoholic beverages and tobacco products throughout the state. Activities funded in this category include costs for the overall management of agency employees, and oversight of administrative and policy duties.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$8,544,000	\$0	\$8,544,000	91.3	\$8,154,000	\$0	\$8,154,000	90.3

Expected Results:

In addition to providing quality leadership and infrastructure support, the agency will work on additional policy development and implementation, process improvement, and employee training during the 2005-07 Biennium. Other major goals include implementing civil service reform and technology improvement.

Alcohol Server Training

State law mandates training for servers in establishments that sell liquor for on-site consumption. This activity is commonly referred to as Mandatory Alcohol Server Training (MAST). (Liquor Revolving Account)

Statewide Result Area: Improve the safety of people and property

Category: Enforce the law

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$54,000	\$0	\$54,000	1.1	\$53,000	\$0	\$53,000	1.1

Expected Results:

At the end of Fiscal Year 2004, there were 147,000 active servers in LCB's database of MAST permit holders. LCB certifies the training curriculum of the private sector providers who provide this training. Currently, there are 24 MAST providers, with more than 1,000 trainers statewide. The number of providers is expected to reach 30 by the end of the next biennium, based on an increase of two new providers per year. Additionally, the certification of 13 current providers will be expiring in the 2005-07 Biennium, requiring resubmission and LCB review of their curriculum if they wish to continue to train.

Contract Liquor Store Operations

The purpose of this activity is to pay commissions and minor operating expenses for contract liquor store retail outlets located in communities that do not have large enough populations to support the operational expenses of a state-operated store. The Liquor Control Board, with recommendations from its Retail Division, appoints local business owners to sell products under contractual and code regulations. Supporting functions also include contract store supervision.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Agency Activity Inventory

by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

Category: State financial resources and services

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$10,924,000	\$0	\$10,924,000	2.5	\$11,407,000	\$0	\$11,407,000	2.5

Expected Results:

Contract stores serve community needs in rural areas (155 locations statewide). Annual sales for the 2005-07 Biennium are projected to be \$83 million per year, producing tax revenues of \$21 million and net profits of \$6.5 million. Commissions are paid on sales, and thus, will vary as sales increase or decrease.

Outcome Measure: Increase revenues distributed to state and local governments.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
\$215,967,550	\$224,526,820	\$254,527,487	\$261,997,815	\$266,392,590	\$290,339,414
<i>(RCW 66.08.190)</i>					

Enforcement of Liquor Control Laws

The Enforcement and Education Division is charged with investigating and prosecuting all violations and penal laws relating to the transportation, possession, distribution, and sale of liquor. The primary responsibility of the division is to ensure public safety by preventing over-service and to reduce underage drinking at liquor license locations and unlicensed events such as keggers, college parties, and community gatherings where alcohol is available. In addition, liquor and tobacco agents perform liquor premise inspections, investigate complaints against liquor licensees, conduct random compliance checks, and educate citizens on the adverse effects of alcohol.

Statewide Result Area: Improve the safety of people and property

Category: Prevent crime

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$5,275,000	\$0	\$5,275,000	83.8	\$5,568,000	\$0	\$5,568,000	83.8

Expected Results:

The Enforcement Division will provide saturation patrols for 10 community events yearly. The division will target Mardi Gras, Seafair, Water Folies concerts, and other large events. Liquor and Tobacco Officers will conduct over 50,000 liquor premise inspections each year of the 2005-07 Biennium, providing licensees with enabling techniques that increase compliance with state liquor laws. Officers will annually conduct 20 fatality and serious injury post-crash investigations requested by state and local law enforcement agencies to help establish the source of alcohol (such as on-premise liquor license location, overservice, or service to minors). Liquor and Tobacco Officers will conduct over 1,600 random liquor compliance checks each year to ensure that licensees are not providing alcohol products to minors. They also will provide training to approximately 15,000 licensees/employees on responsible liquor sales methods and the consequences of selling alcohol products to minors.

Outcome Measure: Percentage of licensed businesses in compliance with underage drinking laws.*

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
81%	82%	82%	85%	85%	85%

(RCW 66.08.010) This percentage is for tested businesses.

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

Liquor Licensing and Permits

The Program Administration, License Investigation, License Processing, and Customer Service Units provide review, and reporting on all license applications, permit applications, and requests from current license holders to modify business structure or operation; approve all liquor license and permit applications and renewals except those of a controversial nature, involving extensive investigation, or requiring a board decision; provide a process for accountability for all liquor license and permit fees; maintain official licensing records and make documents available for court, administrative action, and public records requests; provide licensing information for applicants and the general public; and assist other divisions of the board.

Statewide Result Area: Improve the economic vitality of businesses and individuals

Category: Flexible regulation

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$1,731,000	\$0	\$1,731,000	31.4	\$1,707,000	\$0	\$1,707,000	31.4

Expected Results:

At the end of Fiscal Year 2004, licensing staff provided service to 12,100 retail liquor licensees by maintaining official licensing information, providing technical assistance on liquor laws and regulations, and taking administrative action related to liquor violations or non-renewal requests from local government officials. In Fiscal Year 2004, the agency processed approximately 6,000 liquor license applications and alcohol permits. Based on a 7 percent annual increase, the number of applications will reach almost 7,000 by the end of the next biennium. This activity contributes to the revenue increase measure listed with the Contract Liquor Store Operations activity.

Liquor Purchasing and Merchandising

The Purchasing Division's function is to provide citizens a wide selection of alcoholic beverages at reasonable prices. The division recommends product listings to the board and manages inventory in the Distribution Center. The Special Order Program allows customers to obtain products that are not in general listings.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$685,000	\$0	\$685,000	12.6	\$704,000	\$0	\$704,000	12.6

Expected Results:

Maintain a selection of over 1,900 alcohol beverage items for liquor stores, contract stores, and licensees. Evaluate proposed new products to carry, as well as low-performing items to discontinue, in order to ensure consumer trends are captured and customer expectations are met. Ensure that customer needs are met through the special order program for items not listed by the Board. Review and manage inventory forecasts and sales data to ensure an in-stock level of 95 percent. Maintain trend of increasing sales and revenues to the state. Continue to expand the number of products and suppliers participating in the bailment inventory management system which allows us to lower the cost of goods sold and delay payment on products until they are withdrawn from bailment inventory and shipped to retail outlets. (Approximately 87 percent of the LCB's case inventory is under the bailment system.) Increase return on investment by purchasing discounted stock during sale periods and selling at full margin, adding approximately \$2.5 million in additional revenues annually. Expand the vendor managed inventory (VMI) program in order to reduce the LCB effort required for the generation of purchase orders. Implement shelf management and product display programs intended to encourage consumer trade-up and increase revenue. Process industrial alcohol orders for special permit holders such as hospitals, medical laboratories, and universities.

Agency Activity Inventory

by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

Liquor Warehouse Operations and Distribution

The Board operates a warehouse for the storing and shipment of liquor. The warehouse located in Seattle, receives products from suppliers, and ships products to state liquor stores and contract liquor stores throughout the state.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$10,887,000	\$0	\$10,887,000	82.1	\$13,778,000	\$0	\$13,778,000	83.1

Expected Results:

The distribution center is the core of the Liquor Board operations. Recently, store orders have reached the maximum design capability of the warehouse operations, and increased funding is needed for any additional growth. During the 2005-07 Biennium, the distribution center will receive, process, and ship over 4 million cases annually to the network of state-owned stores, contract liquor stores, military bases, and tribal outlets. Daily shipments average 17,000 cases, with peak daily shipments reaching 30,000+ cases during November and December. Daily inventory levels of between 330,000 to 450,000 cases valued at cost of \$4.5 million are maintained. Special orders amounting to 22,000 cases a year are provided as a service to our customers without additional cost. This activity contributes to the revenue increase measure listed with the Contract Liquor Store Operations activity.

Output Measure: Number of cases shipped annually from the Liquor Control Board's distribution center.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
3,836,649	3,925,563	4,239,608	4,451,588	4,606,088	4,766,088

Regulation of Manufacturers, Importers and Wholesalers

The Manufacturers, Importers, and Wholesalers (MIW) Section is responsible for ensuring the proper administration of all state liquor laws and administrative rules applicable to beer, wine, and spirit manufacturers, importers, distributors, and interstate common carriers (ICCs). MIW works closely with the agency's Administrative Services Program to ensure proper and timely payment of beer and wine taxes. The section provides education, training, and other technical assistance to manufacturers, importers, distributors, and ICCs; investigates complaints and violations involving non-retail licensees; maintains and monitors a price-posting program for the manufacturing and distributor levels of the non-retail liquor industry; provides a product and label approval program for all beer and wine products planned for sale in Washington; provides liquor advertising approvals and denials, education, and assistance for license holders and marketing representatives; and maintains a Criminal History Record Information (CHRI) Office for conducting checks of license applicants and to assist liquor and tobacco criminal investigations.

Statewide Result Area: Improve the economic vitality of businesses and individuals

Category: Flexible regulation

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$917,000	\$0	\$917,000	15.0	\$886,000	\$0	\$886,000	15.0

Expected Results:

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

At the end of Fiscal Year 2004, there were almost 1,400 licensed alcohol manufacturers, importers, and distributors. This number is expected to double in the 2005-07 Biennium for two reasons: (1) the number of Certificate of Approval licensees will increase from 766 to approximately 1,800 upon implementation of a law passed in 2004, which required importers of foreign-produced beer and wine to be licensed as a Certificate of Approval holder and subject to price posting requirements; and (2) the number of wineries will exceed 500 if the trend continues based on an annual 19 percent increase.

State Liquor Store Operations

The purpose of state liquor stores is the controlled distribution of products sought by qualified customers. Store personnel are trained to identify and deny sale to underage or intoxicated customers. Store managers place weekly orders to replenish store inventory; they also schedule part-time help to meet fluctuating volumes of customers. Supporting functions also include strategic planning, store remodels and maintenance, store site selection, negotiation of leases, and supervision of state liquor stores.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$51,207,000	\$0	\$51,207,000	669.2	\$49,988,000	\$0	\$49,988,000	669.2

Expected Results:

Funding is needed to expand shipping capability to stores. Stores also are in need of funding for additional staffing. From 1996 to 2004, bottle counts increased by 26 percent with no increase in staffing levels. State store sales were \$498 million in Fiscal Year 2004, and with additional funding, sales during the 2005-07 Biennium are expected to grow by 4.8 percent per year, or nearly \$24 million per year. Current tax revenues produced are \$125 million with net profits of \$42 million. Stores manage inventory valued at \$22 million. Over 31 million bottles of liquor and wine are sold annually through the state's 161 stores. During the 2005-07 Biennium, 40 store leases will be renewed. This activity contributes to the revenue increase measure listed with the Contract Liquor Store Operations activity.

Outcome Measure: Increase revenues distributed to state and local governments.

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
\$215,967,550	\$224,526,820	\$254,527,487	\$261,997,815	\$266,392,590	\$290,339,414
(RCW 66.08.190)					

Tobacco Tax Enforcement

Liquor and tobacco agents enforce state tax laws and applicable federal statutes related to cigarettes and other tobacco products to promote voluntary compliance and increase excise tax collections. Revenue is lost to the state each year due to tax evasion on cigarette and tobacco products. Liquor and tobacco agents are critical in preventing tax evasion tactics.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: State financial resources and services

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$1,552,000	\$1,484,000	\$68,000	18.6	\$1,550,000	\$1,484,000	\$66,000	18.6

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

Expected Results:

Liquor and Tobacco Enforcement Officers conduct random, unannounced inspections of licensed wholesale and retail businesses in order to encourage voluntary compliance with the tobacco tax laws. (Each officer averages 300 inspections per year.) While these inspections ensure compliance with the tax laws, they also detect and remove products which fail to carry the U.S. Surgeon General's warning, have not successfully complied with requirements of the Master Settlement Agreement, or are either themselves counterfeit or bear counterfeit state tax indicia. The officers educate new licensees and others on the tax requirements or restrictions on sales placed on cigarettes and other tobacco products, which results in the successful collection of taxes and reduced illegal sales. In addition, the officers investigate complaints of non-licensed businesses selling illegal product. Another major function is conducting investigations that result in interdictions of in-bound shipments of untaxed cigarettes. Many of these investigations escalate into complex organized crime cases which require the involvement of federal agencies since products are being moved across state lines or originate at locations beyond the agency's jurisdiction. Major criminal investigations are still underway involving several large trafficking operations. This activity also contributes to the compliance measure listed with the Youth Access to Tobacco activity.

Youth Access to Tobacco

The Enforcement and Education division oversees state compliance of the federal law mandating states to restrict the sale of tobacco products to persons under age 18. The Division is responsible for conducting tobacco premise inspections, investigating complaints against tobacco licensees, and conducting random compliance checks on tobacco licensees. This activity is funded through an interagency agreement with the Department of Health.

Statewide Result Area: Improve the health of Washington citizens

Category: Increase healthy behaviors

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$0	\$0	\$0	4.0	\$0	\$0	\$0	4.0

Expected Results:

Each year during the 2005-07 Biennium, Liquor and Tobacco Officers will conduct over 30,000 tobacco premise inspections that increase licensee compliance with state liquor and tobacco laws. These officers will annually conduct over 3,000 random tobacco compliance checks, which are effective in increasing licensee compliance on laws restricting youth access to tobacco products. Liquor and Tobacco Officers will provide training to approximately 7,000 tobacco licensees/employees yearly to educate store clerks on how to check identification and alert them of the consequences of selling tobacco to persons under age 18. The Liquor Control Board also is responsible for regulating tobacco sampling. The officers conduct several unannounced random inspections at sampling events in the state to prevent tobacco access to persons under 18 years of age.

Outcome Measure: Percentage of licensed businesses in compliance with laws prohibiting tobacco sales to persons under age 18.*

FY02 Actual	FY03 Actual	FY04 Actual	FY05 Estimate	FY06 Proposed	FY07 Proposed
89%	89%	88%	93%	93%	93%

(RCW 70.155.080) This percentage is for tested businesses.

Compensation Cost Adjustment

Agency Activity Inventory by Agency

Appropriation Period: 2005-07 Activity Version: Governor Gregoire's 05-07 Proposal

Agency: 195 - Liquor Control Board

This item reflects proposed compensation and benefit cost adjustments that were not allocated to individual agency activities. The agency will assign these costs to the proper activities after the budget is enacted.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Human resources support for government agencies

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$1,193,000	\$30,000	\$1,163,000	0.0	\$1,195,000	\$30,000	\$1,165,000	0.0

Middle Management Reduction

The Governor has directed that middle management be reduced by 1,000 positions by the end of the biennium. This item is this agency's share of the statewide amount. These savings will be assigned to the appropriate activities after the budget is enacted.

Statewide Result Area: Improve the ability of State Government to achieve its results efficiently and effectively

Category: Human resources support for government agencies

FY 2006				FY 2007			
Total	GFS	Other	FTEs	Total	GFS	Other	FTEs
\$(141,000)	\$(4,000)	\$(137,000)	(2.6)	\$(406,000)	\$(11,000)	\$(395,000)	(7.4)